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John Doe, Plaintiff  
vs.  
Jane Smith, Defendant

**Abstract**

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**1. Introduction**

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MEMORANDUM OF UNDERSTANDING  
HOUSING REHABILITATION SERVICES

INTRODUCTION

The purpose of this memorandum dated February 15, 1989, between San Joaquin County and the City of Lodi is to establish an agreement between the County and City with regard to the use of Community Development Block Grant (CDBG) funds for the rehabilitation of eligible housing in Lodi, paid for with City CDBG monies and administered by the County.

WORK PROGRAM

The County agrees to carry out those activities specified in the San Joaquin Housing Rehabilitation Program (copy attached and incorporated by reference) necessary to bring about the rehabilitation of housing located within the City of Lodi, particularly within the incorporated portions of the City east of the Southern Pacific Railroad that meet the requirements listed under "USE OF FUNDS."

BUDGET AMOUNT

The City shall initially transfer the entire amount of funds allocated to housing rehabilitation plus interest to the County on April 1, 1989, to be held in a separate account (from the County's) with the County's bank. The City may augment this fund by allocating additional monies in the future. The County may draw from this account to receive reimbursement for any related administrative services rendered on behalf of Lodi subject to the limitations found in §570.206 of the Housing and Community Development Act of 1974 (as amended), 24 CFR Part 570.

USE OF FUNDS

Use of funds pursuant to this Memorandum of Understanding shall be in accordance with the Housing and Community Development Act as cited, any other regulations governing the CDBG Program, and any amendments or policy revisions thereto which become effective during the term of this agreement. In addition, the City and County agree to comply with other applicable laws, including Section 504 of the Rehabilitation Act of 1973, the Age Discrimination Act of 1975, and Executive Order No. 11063.

All funds contributed by the City must be held in separate from the County's and may only be used for housing rehabilitation within the City of Lodi and any related administration and servicing expenses.



#### PERIOD OF AGREEMENT

This Memorandum of Understanding shall be in force for as long as the City defers its entitlement city status and participates in an urban county agreement with the County; or until **30** days after either party gives written notice to the other party of its intent to cancel the agreement.

#### DOCUMENTATION

The County shall notify the City of the names, addresses, and amounts of each rehabilitation loan approved at least 14 days before the commencement of work. The County shall also notify the City within **14** days of the completion of work.

The County shall provide the City with a status report on a quarterly basis outlining the number and amount of loans made, the number of jobs started and completed, the status of jobs in progress, and the amount incurred for administrative expenses.

The County shall also provide the City with a photocopy of any bank statements for the account(s) held on the City's behalf.

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The City shall have the right to review any pertinent records upon five **(5)** days advance notice given to the County.

#### CITY RESPONSIBILITIES

The City agrees that it shall not charge more than \$100.00 for a building permit issued in connection with a rehabilitation loan issued pursuant to this agreement (Lodi City Council Resolution 88-52). Responsibility for the normal building inspection of such jobs shall rest with the City.

The City further agrees to volunteer the services of **its** Community Development **Block** Grant Coordinator to assist in the resolution of **any** unique problems that may arise in the course of administering housing rehabilitation in the City.

#### BUSINESS AND EMPLOYMENT OPPORTUNITIES

To the greatest extent possible, opportunities for training and employment are to be given to lower income residents of the project area, and contracts for work in connection with the project be awarded to business concerns which are located in, or owned in substantial part by, persons residing in the area of the project. The County should make every effort to encourage local Lodi area contractor; to bid.



IN WITNESS WHEREOF, the parties hereto have executed this agreement the day and year first hereinabove written.

APPROVED AS TO FORM:

Bobby McNatt  
BOBBY MCNATT  
City Attorney, City of Lodi

APPROVED:

CITY OF LODI  
Thomas A. Peterson  
THOMAS A. PETERSON  
City Manager

JOHN S. CHEADLE  
County Counsel, County of San Joaquin

ATTEST:

Alice M. Reimche  
ALICE M. REIMCHE  
City Clerk

COUNTY OF SAN JOAQUIN, A POLITICAL  
SUBDIVISION OF THE STATE OF  
CALIFORNIA

Chairman, Board of Supervisors



**HOUSING REHABILITATION PROGRAM**

**POLICIES**

**GOALS**

**AND**

**PROCEDURAL GUIDELINES**

**OFFICE OF COUNTY ADMINISTRATOR  
GRANTS MANAGEMENT OFFICE**

**ADOPTED DECEMBER 17, 1985  
BOARD RESOLUTION #85-2143**



### BACKGROUND

THE SAN JOAQUIN COUNTY HOUSING REHABILITATION PROGRAM, AS STRUCTURED BY THESE POLICIES AND GOALS, IS DESIGNED TO BRING ALL HOUSING UNITS IN SAN JOAQUIN COUNTY, OCCUPIED BY LOW AND MODERATE INCOME PERSONS, UP TO HOUSING **CODE** STANDARDS.

TO ACCOMPLISH THIS OBJECTIVE, MAJOR PROGRAM GOALS AND SPECIFIC POLICIES HAVE BEEN ESTABLISHED.

THE HOUSING REHABILITATION PROGRAM WILL BE SUCCESSFUL, BUT THESE GUIDELINES MUST BE APPLIED WITH SENSITIVITY AND FLEXIBILITY. THE COUNTY STAFF MUST INSURE, THAT REASONABLE CONSIDERATION IS GIVEN TO ALL ELIGIBLE APPLICANTS WHO SEEK ASSISTANCE, BUT IN DOING SO, AVAILABLE RESOURCES WILL NECESSARILY DETERMINE THE NUMBER OF PERSONS WHO CAN BE ASSISTED, AND AT WHAT LEVEL.

PERIODIC REVISIONS TO THESE GUIDELINES MAY BECOME NECESSARY; PROGRAM AMENDMENTS WILL BE SUBJECT TO BOARD REVIEW AND DIRECTSON.



## HOUSING- REHABILITATION POLICIES

- A. TO ENCOURAGE THE REHABILITATION OF ALL RESIDENTIAL STRUCTURES TO A LEVEL CONSISTENT WITH HOUSING CODE STANDARDS, TO ENSURE THE ELIMINATION OF HEALTH AND SAFETY VIOLATIONS AND TO PROTECT THE GENERAL PUBLIC.
- O. TO ALLOCATE RESOURCES IN A MANNER TO REACH A MAXIMUM NUMBER OF COUNTY RESIDENTS AND TO ENSURE THE LONG TERM STABILITY OF THE PROGRAM.
- C. TO ESTABLISH A PRIORITY IN THE ALLOCATION OF FUNDS AND RESOURCES.
- D. TO PROVIDE A LEVEL OF FINANCIAL AND TECHNICAL ASSISTANCE CONSISTENT WITH THE MEEDS OF RESIDENTS AND AVAILABILITY OF RESOURCES.
- E. TO ENSURE THE CONFIDENTIAL TREATMENT OF APPLICANT INFORMATION CONSISTENT WITH FEDERAL, STATE AND LOCAL LAWS AND REGULATIONS.
- F. TO ENSURE THAT POLICIES AND PROCEDURAL GUIDELINES ARE CONSISTENT WITH FEDERAL? STATE AND LOCAL PROGRAM REQUIREMENTS.



## HOUSING REHABILITATION GOALS

### THE COUNTY WILL ATTEMPT TO ENCOURAGE THE REHABILITATION OF ALL RESIDENTIAL STRUCTURES THROUGH:

#### A-1 OUTREACH AND INFOYATIONAL PROGRAMS.

*Display advertisements will be run periodically in local papers of general circulation; direct contacts will be made with known community groups and through local public meetings.*

#### A-2 INSPECTION OF PROPERTY.

*Upon request by the owner or tenant occupant, structural inspections will be made and defects and hazards will be noted. A report will be issued to be used as a guide for corrective action.*

#### A-3 FINANCIAL AND TECHNICAL ASSISTANCE.

*Technical Assistance will be offered to residents and owners to encourage the rehabilitation of units to uniform housing code standards and to eliminate code and health and safety violations.*

### FUNDING RESOURCES WILL BE ALLOCATED TO ENSURE LONG TERM PROGRAM INTEGRITY AND THE MAXIMUM UTILIZATION OF LIMITED RESOURCES.

#### B-1 MAXIMUM LOAN AMOUNTS:

1) Amortized Loans	\$25,000
2) Deferred Loans	18,000
3) Emergency Loans	5,000
4) Sewer Connections	2,500
5) Combination of all loans not to exceed	25,000

#### B-2 LOAN TERMS AND CONDITIONS

- 1) Amortized loans will have an effective interest rate range of 0-5%, with a payback period not to exceed 30 years.
- 2) Deferred loans will have a zero interest rate and become due and payable with the change in ownership.



PAGE 2 OF HOUSING REHABILITATION GOALS

- 3) Emergency loans will have the same effective interest rate range as an amortized loan, with an effective payback period not to exceed 10-years.
- 4) Sewer connection loans will have the same effective interest rate range as an amortized loan, with a payback not to exceed 5 years.

**8-3 MINIMUM MONTHLY PAYMENT**

The minimum monthly payment for amortized loans shall be, not less than, \$25.00.

**8-4 LEVEL OF FUNDING FOR GENERAL PROPERTY IMPROVEMENTS SHALL BE THE RESULTING BALANCE OF AVAILABLE LOAN FUNDS AFTER THE CORRECTION OF HEALTH AND SAFETY CONDITIONS, SUBJECT TO THE FOLLOWING LIMITATIONS:**

- 1) Amortized Loans: 20% of loan amount.
- 2) Deferred Loans : 10% of loan amount.
- 3) Combination of (1) and (2): 15% of loan amount.

**REHABILITATION ASSISTANCE NORMALLY WILL BE PROVIDED ON A PRIORITY BASIS IN THE ORDER RECEIVED.**

**C-1 ORDER OF PRIORITY**

- 1) Eligible owner occupants of single family structures.
- 2) Eligible owners of single family rental structures.
- 3) Eligible owner-occupants of a multi-family unit where one unit is actually occupied by the owner.
- 4) Eligible absentee landlord of a multi-family unit, of 4 or fewer units, which are occupied by low and moderate income tenants, in numbers, and at rents acceptable to the grantor agency, (HUD or HDC).

**C-2 EXCEPTIONS**

- 1) Order of priority may be altered for documented health or safety conditions. The Deputy Director of Buildings will have the sole responsibility for changing the order of priority.



PAGE 3 OF HOUSING REHABILITATION GOALS

REHABILITATION LOAN ASSISTANCE SHALL BE CONSIDERED ON THE MERIT,  
ECONOMIC STATUS AND ABILITIES OF EACH LOAN APPLICANT.

D-1 Eligibility based on verified gross family earnings as compared to the current Section 8 Income Limits for low and moderate income persons.

D-2 Terms which are acceptable to the County and applicant.

CONFIDENTIALITY OF INFORMATION PROVIDED BY THE APPLICANT SHALL BE  
MAINTAINED AT ALL TIMES.

E-1 Access to applicant files shall be restricted solely to those employees charged with the processing of loans and physical aspects of housing rehabilitation.

E-2 Employees shall not discuss, with other employees, friends, or contractors, the nature of the loan or any information contained in the applicants rehabilitation loan folder.

E-3 Survey data may be taken from applications to comply with reporting requirements of funding agency.

LOCAL AND FEDERAL FUNDS SHALL BE PROTECTED

F-1 Insurance coverage shall be sufficient to protect the County's investment in the property. Liability, fire and flood insurance shall be required at a level sufficient to protect the public interest so long as there is an outstanding loan balance.

F-2 All loans shall be secured by a promissory note and deed of trust.

F-3 Loan balances become due and payable for reasons of default, cessation of owner/occupancy and unauthorized transfer of ownership.

OTHER ADMINISTRATIVE PROCEDURES

Loan Dispute And Reconciliation

The Program Manager of the Grants Management Office, a Deputy County Administrator and the Deputy Director of Buildings will review all disputes associated with the loan and rehabilitation activities. The decision of the review committee is final and no further recourse, at the County level, is provided. A loan applicant may appeal the decision of the review committee to the appropriate funding agency.



### ELIGIBILITY CRITERIA

- A. *Property must be located in the unincorporated areas of the County.*
- B. *Property must have need of substantial repairs to correct health or safety deficiencies or to meet housing code requirements.*
- C. *Property must be determined to be rehabilitatable to **housing** code standards, given loan limitations.*
- D. *Owner/occupants shall meet the prevailing Section 8 income limits, as amended, to be eligible to participate.*
  - 1. *income shall include the earnings of all occupants 18 years of age or older.*
  - 2. ***Gross** earnings shall not be adjusted as permitted under Section 8 guidelines.*
- E. *Absentee landlords may participate, provided that 51% of the units, after rehabilitation, are occupied by low/moderate income persons and at rents which are deemed as affordable.*



## ELIGIBLE REHABILITATION WORK ACTIVITIES

### A. ITEMS HAZARCOUS TO LIFE AND SAFETY.

*These include repairs which are necessary to eliminate an immediate threat to the life and safety of an individual. Such repairs may include, but not be limited to:*

- 1) Repairs to correct sagging structural parts of a home (i.e., porch, roof, floor, foundation overturning, etc.) which are likely to collapse in the immediate future.*
- 2) Electrical repairs to correct conditions which are likely to result in a fire, or threaten life.*
- 3) Plumbing repairs, including septic system failures which involve exposed sewage, unsafe drinking water system and heaters; etc.*
- 4) Mechanical systems repairs which involve conditions likely to result in a dwelling fire or leakage of gas which could cause death.*
- 5) Other repairs needed to correct conditions which could result in an explosion or threaten life.*

### B. GENERAL HOUSING CODE AND HEALTH AND SAFETY CODE ITEMS.

*These include repairs necessary to eliminate inadequate or improperly installed electrical, plumbing, heating fixtures, and structural conditions which, although not necessary to eliminate an immediate threat to life, represent deteriorated and/or inadequate housing. Such repairs may include, but not be limited to:*

- 1) Repairs necessary to eliminate Housing Code and Health and Safety Code deficiencies.*
- 2) Repairs necessary to correct electrical and lighting defects, plumbing defects, and heating system defects.*
- 3) Repair, restoration, or replacement of poor structural conditions (i.e., foundation, walls, partitions, or other vertical supports; fireplaces or chimneys; flooring or floor supports; ceilings, roofs, ceiling and roof supports; steps; exterior wall coverings; entrance and exit defects; severe dry rot and termite damage).*



### GUIDELINES FOR INVESTOR OWNED MULTI FAMILY UNITS

1. Assistance will be offered to those projects consisting of four or fewer units after rehabilitation.
2. Loans will be limited to those projects where the County will be in no less than **2nd** position.
3. Loans will be offered at not more than 3 percent below the current market rate for similar loans with an amortization period not to exceed 15 years.
4. Applicant shall agree that at least 51% of the units rehabilitated will be occupied by low/moderate income **persons**.
5. Applicant agrees to maintain rents at a level affordable to low/moderate income persons for five years. Rents which generally exceed 25 percent of family's income would not meet the County's criteria of affordability.



4. Additions, alterations, and enlargements needed to reduce overcrowding or to eliminate barriers to elderly/handicapped occupants.
5. Repair, or purchase and installation, of a kitchen stove and/or refrigerator, if none exists or if the existing equipment is unsafe.
6. Weather protection (i.e., exterior painting, insulation and weather stripping).
7. Installation of fire detecting devices and other devices which prevent or minimize hazardous conditions or situations.

C. GENERAL HOME IMPROVEMENTS.

Eligible general home improvements may include, **but** are not limited to:

1. Painting, energy conservation, wallpapering, tile work.
2. Repair or construction of fences; repair of walkways and driveways which are necessary **for** ingress or egress.
3. Alterations or remodeling to increase the liveability or usefulness of the property (i.e., alterations to bathrooms, kitchens, etc.).
4. Replacement of lighting or other fixtures.
5. General clean-up **and** removal of debris, abandoned cars **and** parts from yard areas.
6. Noise alteration or noise mitigation measures.
7. Grading of exterior to eliminate flooding, drainage conditions to resolve ground slippage, movement or subsidence of land.
8. Retaining walls and perimeter fencing.
9. Security devices including deadbolts, window locks and exterior lighting.



## DEFINITIONS

### AMORTIZED LOANS

*Low interest loans which require a monthly payment towards the principal amount and interest over a specified period of time until the loan has been repaid.*

### DEFERRED LOANS

*A loan without accrued interest, for which no monthly payments of the principal amount are required. Loan becomes due and payable in the event of change of ownership.*

*Note\* Deferred loans are generally restricted to those persons **65** years of age on fixed incomes, or those who are handicapped and/or disabled.*

### AFFORDABLE RENTS

*Rents shall be considered affordable and units accessible to persons of low/moderate incomes if that person or family is not required to pay in excess of **25%** of his or her gross family income for rent, inclusive of utilities. For tenants currently in occupancy, affordability shall be: rents prior to rehabilitation or **25%** of gross family earnings, whichever is the greater amount.*



HOUSING REHABILITATION  
POLICY STATEMENT

1. THE COUNTY SHALL ALLOCATE ENTITLEMENT RESOURCES AND PROGRAM INCOME IN A MANNER TO REACH A MAXIMUM NUMBER OF COUNTY RESIDENTS AND TO ENSURE THE LONG TERM STABILITY OF THE PROGRAM.

*Discussion:* In formulating new program guidelines consistent with this policy, staff analyzed the historical data on the existing lump-sum agreement, the types of loans unwritten by the bank and the clients served.

Staff is reasonably convinced that the return to the county under its existing agreement will not immediately or appreciably contribute to the long term stability of the program. Staff, therefore, suggests the following guideline changes in implementing this policy statement:

- A. Staff **is** permitted to bank its own loans under a loan servicing agreement. This would mean that principal and interest payments, less loan servicing or monthly charges, would be returned to the program;
- B. Staff is permitted to offer loans at maximum of 5% interest, amortized over thirty years;
- C. Staff **is** permitted to adjust the interest rate of the loan period to ensure the twofold goal of reaching the maximum number of county residents and to make some form of loan affordable to most applicants.
- D. Staff is permitted to make a loan to owners of rental properties at an interest rate at 3% below the current market rate for similar loans. Investor loans are to be amortized over a 10 year period; and,
- E. Staff can offer deferred loans to applicants who are 62 years of age or older, handicapped, or disabled. Loans would be at 0 interest rate and become due and payable with the change in ownership.

2. THE COUNTY SHALL ENSURE THE REHABILITATION OF ALL RESIDENTIAL STRUCTURES TO A LEVEL CONSISTENT WITH HOUSING CODE REQUIREMENTS AND TO TAKE THOSE STEPS NECESSARY TO ELIMINATE OBVIOUS HEALTH AND SAFETY VIOLATIONS OR EMERGENCY HOUSING CONDITIONS.

*Discussion:* The existing housing rehabilitation program **has** always addressed housing code and health and safety violations and it is also the intent to continue this practice, however, other communities (Stockton, included) Provide for limited loans or grants to homeowners to resolve life threatening conditions. Because of the immediacy of the problem, traditional loan application processing is normally waived as well as any order of priority based on the date of the receipt of applications. Staff suggest the following implementing guidelines:



- A. The Director of Public Works shall have the authority to determine *if* an emergency exists and to authorize the expenditure of funds outside the normal processing procedures.
- B. Emergency loans or grants shall be limited to amount necessary to correct the life threatening conditions, but in no event, shall the cost of repairs exceed \$5,000.

3. THE COUNTY SHALL ESTABLISH A PRIORITY IN THE ALLOCATION OF FUNDS AND RESOURCES.

Discussion: The existing policy generally speaks to the preference or priority of applicants to be served; however the issue of how to treat investor-owned property, identified emergencies and loan or grant limits have not been fully stated. Staff suggest the following implementing guidelines:

- A. The order of priority, given limited resources, should **be:** owner-occupied, single family dwellings; renter-occupied, single family dwellings; multi-family rental units where one unit is occupied by the owner, and other multi-family housing.
- B. The order of priority can be modified by the Director of Building Inspections to resolve those housing conditions which are life threatening or of an extreme emergency.
- C. Rehabilitation loans shall be limited to the following amounts:

Amortized Loans	\$25,000
Deferred Loans	18,000
Comb. Amor/Defer	25,000
Emergency Loans/Grants	5,000
Sewer Connections	2,500

4. THE COUNTY SHALL ENSURE THAT POLICIES AND PROCEDURES ARE CONSISTENT WITH FEDERAL, STATE AND LOCAL PROGRAM REQUIREMENTS.

Discussion: Historically there have been very few changes in the County's Housing Rehabilitation Program since its inception. The major modifications are normally in response to HUD's periodic changes in the Income Eligibility Limits.

With the adoption of these policy statements, modification to the rehabilitation guidelines would reflect only statutory or regulatory requirements as imposed by HUD or HDC.



Staff suggests the following implementing guidelines:

- A. Staff is permitted to amend the Housing Rehabilitation Program guidelines as may be required from time to time, to be consistent with changes in federal law; however no amendment will be made where such changes would be in conflict with a stated policy of the Board of Supervisors.
- B. Amendment of establish loan and grant amounts are to be approved by the Board of Supervisors; and
- C. Any proposed changes in the program which would effect the scope or nature of the program would require Board of Supervisor review and approval.

5. THE COUNTY SHALL ENSURE THE CONFIDENTIAL TREATMENT OF APPLICANT INFORMATION CONSISTENT WITH FEDERAL, STATE AND LOCAL REGULATIONS.

Discussion: Although there has not been a problem with **the confidential** treatment of an applicant's financial information submitted with loan applications, a restatement of the wishes of the Board of Supervisors would be appropriate.



RESOLUTION NO. 89-21

A RESOLUTION OF THE LODI CITY COUNCIL  
APPROVING THE MEMORANDUM OF UNDERSTANDING  
BETWEEN THE CITY **OF** LODI AND SAN JOAQUIN COUNTY  
REGARDING LODI'S HOUSING REHABILITATION

WHEREAS, on December 21, 1988, the City Council authorized the transfer of Lodi's housing rehabilitation to San Joaquin County in accordance with Housing Urban Development's recommendation;

NOW, THEREFORE<sup>y</sup> BE IT RESOLVED, that the City Council does hereby approve the Memorandum of Understanding between the City of Lodi **and** San Joaquin County, regarding Lodi's housing rehabilitation, a copy of which is marked Exhibit **A** and thereby made a part hereof.

Dated: February 15, 1989

I hereby certify that Resolution No. 89-21 was passed and adopted by the City Council of the City of Lodi in a **regular** meeting held February 15, 1989 by the following vote:

**Ayes :** Council Members - Hinchman, Olson, Reid and  
Pinkerton (Mayor)

**Noes :** Council Members - None

**Absent:** Council Members - Snider

  
Alice M. Reimche  
City Clerk



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HOUSING REHABILITATION SERVICES

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APPROVED AS TO FORM:

APPROVED :

CITY OF LODI

\_\_\_\_\_  
BOBBY MCNATT  
City Attorney, City of Lodi

\_\_\_\_\_  
THOMAS A. PETERSON  
City Manager

\_\_\_\_\_  
JOHN S. CHEADLE  
County Counsel, County of San Joaquin

ATTEST:

\_\_\_\_\_  
ALICE M. REIMCHE  
City Clerk

COUNTY OF SAN JOAQUIN, A POLITICAL  
SUBDIVISION OF THE STATE OF  
CALIFORNIA

\_\_\_\_\_  
Chairman, Board of Supervisors